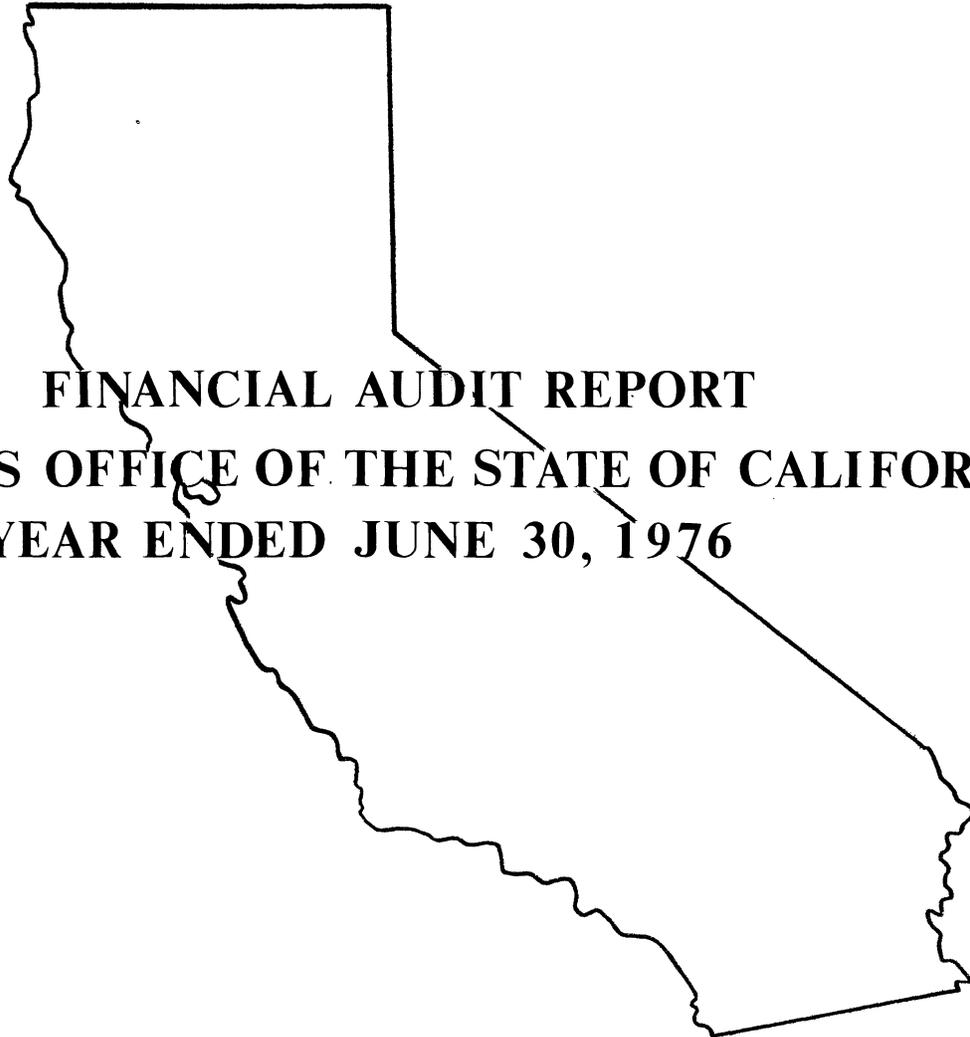




Joint Legislative Audit Committee
Office of the Auditor General



**REPORT TO THE
CALIFORNIA LEGISLATURE**



**FINANCIAL AUDIT REPORT
GOVERNOR'S OFFICE OF THE STATE OF CALIFORNIA
YEAR ENDED JUNE 30, 1976**

Office of the Auditor General
1955-1977

701

FINANCIAL AUDIT OF THE
GOVERNOR'S OFFICE OF THE STATE OF CALIFORNIA
YEAR ENDED JUNE 30, 1976



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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SACRAMENTO

NATE HOLDEN
LOS ANGELES

June 8, 1977

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully
submits the Auditor General's financial audit of the
Governor's Office.

This is the first audit of that office since 1963. The
prior administration refused access to its records by
the Legislature. By contrast, the present administration
was most cooperative, thus permitting the Legislature
to fulfill its statutory responsibility of auditing the
expenditures of all state funds.

The auditors are Robert Neves, Audit Manager; Richard La Rock
and Cynthia Dirks.

Respectfully submitted,

MIKE CULLEN
Chairman

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INTRODUCTION

The Constitution of the State of California vests in the Governor the supreme executive power for the operation of state government. The Governor is required to report to the Legislature each calendar year on the condition of the State and recommend to the Legislature a program for its consideration. The Governor is also required to submit an annual budget to the Legislature. The Governor is generally required to approve bills enacted by the Legislature before they become law. In addition, the Governor is the Commander-in-Chief of the State Militia; has the power to make executive and judicial appointments; and the power to grant reprieves, commutations of sentences, and pardons to those convicted in the courts of California.

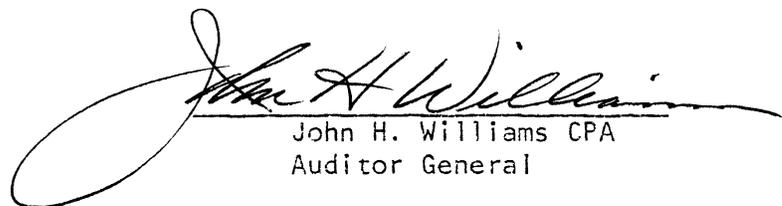
AUDITOR'S OPINION

The Joint Legislative Audit Committee
of the California State Legislature:

We have examined the Balance Sheet of the Governor's Office of the State of California as of June 30, 1976 and the related statements of operating clearing, appropriations, expenditures and balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial condition of the Governor's Office as of June 30, 1976 and the changes in operating clearing, unencumbered balances, and results of operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the changes as described in Note 2, with which we concur.

The accompanying supplemental schedules presented on pages 12 to 14 are not necessary for a fair presentation of the financial statements, but are presented as additional information. This information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


John H. Williams CPA
Auditor General

April 1977

Staff: Robert M. Neves CPA
Richard LaRock CPA
Cynthia Dirks

EXHIBIT A

GOVERNOR'S OFFICE
GENERAL FUND
BALANCE SHEET
JUNE 30, 1976

	Aporopriation Description			Total
	Support of Governor and Governor's Office	Printing of Governor's Budget	Office of Information Services	
<u>Assets</u>				
Cash	\$ -0-	\$ 1,345	\$ -0-	\$ 1,345
Revolving Fund Cash	188,235	-0-	-0-	188,235
Accounts Receivable - Reimbursements (Note 2A)	62,930	-0-	-0-	62,930
Prepayments to Other Funds	9,980	-0-	-0-	9,980
Expense Advance to Employees	1,480	-0-	-0-	1,480
Other Deferred Charges	10,285	-0-	-0-	10,285
Equipment (Notes 2B and 3)	137,625	-0-	-0-	137,625
Advances to Architecture Revolving Fund (Note 4)	<u>518,000</u>	<u>-0-</u>	<u>-0-</u>	<u>518,000</u>
Total	<u>\$928,535</u>	<u>\$ 1,345</u>	<u>\$ -0-</u>	<u>\$929,880</u>
<u>Liabilities, Reserves, and Operating Clearing</u>				
Liabilities:				
Accounts Payable (Note 5)	\$304,612	\$251,202	\$ 14,304	\$570,118
Claims Filed	13,117	-0-	846	13,963
Reserves:				
Advances to Architecture Revolving Fund (Note 4)	518,000	-0-	-0-	518,000
Investment in Fixed Assets (Notes 2B and 3)	137,625	-0-	-0-	137,625
Operating Clearing (debit), per Exhibit 8 (Note 6)	<u>(44,819)</u>	<u>(249,857)</u>	<u>(15,150)</u>	<u>(309,826)</u>
Total	<u>\$928,535</u>	<u>\$ 1,345</u>	<u>\$ -0-</u>	<u>\$929,880</u>

The accompanying notes are an integral part of the financial statements.

EXHIBIT B

GOVERNOR'S OFFICE
GENERAL FUND
STATEMENT OF OPERATING CLEARING (Note 6)
YEAR ENDED JUNE 30, 1976

(With unaudited amounts for year ended June 30, 1975)

	Appropriation Description					Total
	Support of Governor's Office	Support of Governor's Residence	Printing of Governor's Budget	Office of Information Services	Special Contingent Expense	
Operating clearing balances, June 30, 1975	\$ 43,720	\$ -0-	\$ (274,217)	\$ (14,155)	\$ -0-	\$ (244,652)
Additions:						
Prior year expenditure adjustments	\$ 74,140	\$ -0-	\$ 11,358	\$ 7,203	\$ -0-	\$ 92,701
Net disbursements per State Controller	<u>2,745,020</u>	<u>17,400</u>	<u>242,962</u>	<u>217,496</u>	<u>15,000</u>	<u>3,237,878</u>
Total additions	<u>\$2,819,160</u>	<u>\$17,400</u>	<u>\$ 254,320</u>	<u>\$224,699</u>	<u>\$15,000</u>	<u>\$3,330,579</u>
Deductions:						
Net Expenditures for year ended June 30, 1976 (Exhibit D)	\$2,776,018	\$17,400	\$ 229,960	\$225,694	\$15,000	\$3,264,072
Decrease in Prepayments to Other Funds	<u>131,681</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>131,681</u>
Total deductions	<u>\$2,907,699</u>	<u>\$17,400</u>	<u>\$ 229,960</u>	<u>\$225,694</u>	<u>\$15,000</u>	<u>\$3,395,753</u>
Operating clearing balances June 30, 1976 (to Exhibit A)	\$ (44,819)	\$ -0-	\$ (249,857)	\$ (15,150)	\$ -0-	\$ (309,826)

The accompanying notes are an integral part of the financial statements.

GOVERNOR'S OFFICE
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND BALANCES
YEAR ENDED JUNE 30, 1976

(With unaudited amounts for year ended June 30, 1975)

Descriptions of Appropriations and Augmentations	Unencumbered Balance June 30, 1975	Appropriations and Augmentations	-----Net Expenditures----- Current Year Prior Year		Reversions	Unencumbered Balance June 30, 1976
			Current Year	Adjustment		
<u>Support of Governor and Governor's Office</u>						
1975-76 Fiscal Year	\$ -0-	\$2,893,748	\$2,776,018	\$ -0-	\$ -0-	\$117,730
1974-75 Fiscal Year	\$186,055	-0-	-0-	(80,376)	-0-	266,431
1973-74 Fiscal Year	42,069	6,490	-0-	6,236	42,323	-0-
<u>Support of Governor's Residence</u>						
1975-76 Fiscal Year	-0-	17,400	17,400	-0-	-0-	-0-
<u>Printing of Governor's Budget</u>						
1975-76 Fiscal Year	-0-	350,000	229,960	-0-	-0-	120,040
1974-75 Fiscal Year	45,333	-0-	-0-	(11,358)	-0-	56,691
1973-74 Fiscal Year	6,505	-0-	-0-	-0-	6,505	-0-
<u>Support of Office of Information Services in the Governor's Office</u>						
1975-76 Fiscal Year	-0-	283,112	225,694	-0-	-0-	57,418
1974-75 Fiscal Year	53,474	-0-	-0-	(7,665)	-0-	61,139
1973-74 Fiscal Year	13,190	462	-0-	462	13,190	-0-
<u>Rental of Governor's Residence</u>						
1975-76 Fiscal Year	-0-	15,000	-0-	-0-	-0-	15,000
1974-75 Fiscal Year	7,800	-0-	-0-	-0-	-0-	7,800
1973-74 Fiscal Year	600	-0-	-0-	-0-	600	-0-
<u>Special Contingent Expenses</u>						
1975-76 Fiscal Year	-0-	15,000	15,000	-0-	-0-	-0-
Transfer from Emergency Fund for reward for information leading to the conviction of murderer of Oakland School Superintendent Marcus Foster.						
	<u>-0-</u>	<u>10,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,000</u>
TOTALS	<u>\$355,026</u>	<u>\$3,591,212</u>	<u>\$3,264,072</u>	<u>\$(92,701)</u>	<u>\$62,618</u>	<u>\$712,249</u>
			(Note 9)	(Note 8)		(Note 9)

The accompanying notes are an integral part of the financial statements.

GOVERNOR'S OFFICE
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 1976

Appropriation Description

	Support of Governor's Office (Note 7)	Support of Governor's Residence	Printing of Governor's Budget	Office of Information Services	Special Contingent Expenses	Gross Expenditures	Less Reim- bursements (Schedule 1)	Net Expenditures
Governor's salary	\$ 49,100	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 49,100	\$ -0-	\$ 49,100
General salaries	1,493,531	-0-	-0-	130,000	-0-	1,623,531	84,427	1,539,104
Staff benefits	147,143	-0-	-0-	14,301	-0-	161,444	14,789	146,655
Operating expenses								
Office and Miscellaneous supplies	184,426	-0-	-0-	23,487	-0-	207,913	5,828	202,085
Postage and mailing	24,261	-0-	-0-	961	-0-	25,222	540	24,682
Printing	8,447	-0-	249,858	19	-0-	258,324	20,298	238,026
Telephone	96,686	-0-	-0-	31,777	-0-	128,463	5,955	122,508
Telegraph	1,842	-0-	-0-	-0-	-0-	1,842	-0-	1,842
Travel	49,794	-0-	-0-	1,468	-0-	51,262	11,769	39,493
Automotive	25,202	-0-	-0-	-0-	-0-	25,202	229	24,973
National Governor's Conference	21,850	-0-	-0-	-0-	-0-	21,850	-0-	21,850
Rent	117,959	-0-	-0-	9,239	-0-	127,198	4,690	122,508
Equipment-minor projects, alterations and repair of building, furnishings and equipment	368,800	-0-	-0-	2,076	-0-	370,876	800	370,076
Contractual and consultative services	163,866	-0-	-0-	12,366	-0-	176,232	28,038	148,194
Summer Intern Program	180,576	-0-	-0-	-0-	-0-	180,576	-0-	180,576
Governor's Residence Support (Schedule 2)	-0-	17,400	-0-	-0-	-0-	17,400	-0-	17,400
Governor's Office Contingency (Schedule 3)	-0-	-0-	-0-	-0-	15,000	15,000	-0-	15,000
Gross Expenditures	\$2,933,483	\$17,400	\$249,858	\$225,694	\$15,000	\$3,441,435		
Less: Reimbursements (Schedule 1)	157,465	-0-	19,898	-0-	-0-	\$177,363		
Net Expenditures	\$2,776,018	\$17,400	\$229,960	\$225,694	\$15,000			\$3,264,072
	(Note 9)	(Note 1.B)	(Note 1.B)	(Note 1.B)	(Note 1.B)			(Note 9)

The accompanying notes are an integral part of the financial statements.

GOVERNOR'S OFFICE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1976

1. Summary of Significant Accounting Policies

The Governor's Office maintains accounting records for appropriations for support of the Governor and the Governor's Office, support of the Governor's residence, rental of Governor's residence, and for the Governor's Office special contingent expenses. The Department of General Services maintains accounting records for appropriations for printing of the Governor's Budget and for the Office of Information Services.

The accounting records are maintained in accordance with the State's uniform system of accounting as prescribed by the State Administrative Manual.

A. General Fund

The Governor's Office, like other General Fund agencies, accounts for only its portion of the State's General Fund. Central accounts for the General Fund are maintained by the State Controller's Office, and consolidated statements are published by that office.

Reimbursements - Throughout the fiscal year reimbursements were accounted for on a cash basis. As of June 30, 1976 the accounts were adjusted to an accrual basis for earned but uncollected reimbursements.

Expenditures - During the fiscal year expenditures were accounted for on the basis of claims filed with the State Controller. The State Controller authorizes disbursements of money from the State Treasury to pay claims filed. Estimated expenditure commitments were accrued as accounts payable as of June 30, 1976.

B. Non-Treasury Funds

The appropriations of \$17,400 for support of the Governor's residence and \$15,000 for the special contingent expenses are recorded as expenditures when withdrawn from the State Treasury. These funds are deposited in commercial checking accounts. Schedules 2 and 3 summarize the transactions in these checking accounts through June 30, 1976.

2. Changes in Accounting Policies

A. Accounts Receivable - Reimbursements

Accounts Receivable - Reimbursements of \$62,930 were accrued as of June 30, 1976. Accounts Receivable - Reimbursements were not accrued at the end of the previous fiscal year but were accounted as prior year appropriation adjustments when collected after year end, resulting in an increase in the unencumbered appropriation balance.

B. Equipment

Non-expendable equipment amounting to \$137,625 was capitalized and fully reserved as of June 30, 1976. In the prior fiscal year

only specific types of equipment as required in the State Administrative Manual were capitalized and reserved.

C. Reimbursements

Reimbursements are reported separately from expenditures. In prior fiscal years reimbursements were offset against expenditures.

3. Equipment

The purchases of equipment are recorded as expenditures in the year of acquisition. The estimated cost is capitalized and fully reserved on the Balance Sheet.

4. Advances to the Architecture Revolving Fund

Advances to the Office of the State Architect are for minor projects, alterations and repair of buildings. The advances to the Architecture Revolving Fund are recorded as expenditures in the year the transfer is made from the Governor's Office. Advances in excess of expenditures are returned to the Governor's Office upon completion of the construction project.

5. Accounts Payable

Accounts payable of approximately \$180,000, charged as Summer Intern Program expense for the year ended June 30, 1976 was to pay for student interns and included an estimated amount for goods and services to be received in the 1976-77 fiscal year.

6. Operating Clearing

This account is the connecting link between the Governor's Office portion of the General Fund and the central accounts of the General Fund maintained by the State Controller's Office. The account balances at June 30, 1976 represent the net accrued assets and liabilities of the Governor's Office.

7. Expenditures

The Governor is required by Chapter 1246, Statutes of 1975 to annually issue a report to the public on certain expenditures for the support of his office. The Governor complied with this statute by reporting 1975-76 expenditures in the 1977-78 Governor's Budget. The expenditures reported for 1975-76 in the Governor's financial statements herein are different from the amounts reported in the 1977-78 Governor's Budget because of subsequent adjustments made by the Governor's Office, with which we concur. The amounts reported in the Governor's Budget and the financial statements are shown below:

Expenditure Description	Net Expenditures as reported in the 1977-78 Governor's Budget	1975-76		
		Expenditures as Reported in Governor's Financial Statements <u>Including Subsequent Adjustments</u>		
		Gross Expenditures (Exhibit D)	Less Reimbursements	Net Expenditures
Travel	\$ 43,482	\$ 49,794	\$ 11,769	\$ 38,025
Automotive	25,002	25,202	229	24,973
Rent	132,214	117,959	4,690	113,269
Telephone	91,641	96,686	5,955	90,731
Postage	23,841	24,261	540	23,721
Printing	8,047	8,447	400	8,047
Office Supplies	178,741	184,426	5,828	178,598
Equipment	350,000	368,800	800	368,000

8. Prior Year Expenditure Adjustments

This amount is the difference between the net expenditures, abatements and reimbursements accrued at the end of the previous fiscal year and the actual expenditures, abatements and reimbursements realized.

Included in this amount is a receipt of \$10,030 from the sale of the Governor's automobile. In accordance with the State's uniform system of accounting this receipt is classified as an abatement to the 1974-75 appropriation from which the replacement automobile was purchased.

9. Net Expenditures and Unencumbered Balance - June 30, 1976

The amounts shown as Net Expenditures and Unencumbered Balance for the year ended June 30, 1976 differ by \$62,930 from the balances shown in the State Controller's Annual Report. This results from accrued Accounts Receivable - Reimbursements of \$62,930 which were not reported to the State Controller by the Governor's Office.

The unencumbered balance is that portion of an appropriation that has not been obligated to pay expenditures during the fiscal year for which the funds have been made available. According to Section 16304.1 of the Government Code, upon the expiration of two years following the last day of the period of its availability, the unencumbered balance in any appropriation shall revert to and become a part of the funds from which the appropriation was made.

GOVERNOR'S OFFICE
GENERAL FUND
SCHEDULE OF REIMBURSEMENTS
YEAR ENDED JUNE 30, 1976

Source	Description	Appropriation Reimbursed			Total
		Support of Governor and Governor's Office	Printing of Governor's Budget		
Agriculture and Services Agency	The Office of Employee Relations, Governor's Office, performed functions previously assigned to the Employee-Employer Relations Unit of the Agriculture and Services Agency.	\$ 90,128	-0-		\$ 90,128
Employment Development Department	Field representatives were provided by the Governor's Office to act as a liaison between the community, the Governor's Office and the EDD Service Center Program.	58,663	-0-		58,663
State Public Defender's Office	The State Public Defender's Office received secretarial services performed by a consultant under contract with the Governor's Office.	1,884	-0-		1,884
Office of Employee Relations	To reimburse the Governor's Office for the following expenses: rent, postage, supplies, telephone, and xerox usage.	2,363	-0-		2,363
Brown for President Campaign	To reimburse the Governor's Office for telephone and travel expenses incurred for campaign purposes.	1,080	-0-		1,080
Californians for Brown	To reimburse the Governor's Office for xerox usage and travel expenses incurred for campaign purposes.	208	-0-		208
Governor's Prayer Breakfast Committee	To reimburse the Governor's Office for printing, telephone, and postage expenses incurred by the Prayer Breakfast Committee.	1,340	-0-		1,340
Energy Resources Conservation and Development Committee	To reimburse the Governor's Office for xerox usage expenses.	807	-0-		807
Miscellaneous Reimbursements	To reimburse the Governor's Office for various expenses, for example: personal telephone usage, document requests under the Open Records Act, abstracts of judgment, xerox usage, etc.	992	-0-		992
Sale of the Governor's Budget	Amount received from sale of the Governor's Budget.	-0-	19,898		19,898
Total		\$157,465	\$ 19,898		\$177,363

(Note)

Note: In addition to the amount of reimbursements shown above, the Governor's Office entered an Interagency Agreement with the Air Resources Board requiring the Governor's Office to assign personnel to assist in coordinating the air, solid waste, and water quality programs. The terms of the agreement specified that the Governor's Office would provide \$59,574 of personal services and the Air Resources Board agreed to pay operating expenses of \$9,500.

GOVERNOR'S OFFICE
STATEMENT OF CHANGES IN
GOVERNOR'S RESIDENCE SUPPORT CHECKING ACCOUNT
YEAR ENDED JUNE 30, 1976

(With unaudited amounts for year ended June 30, 1975)

Cash in Governor's Residence Support Checking Account, June 30, 1975	\$ 8,700	
Add:		
Fiscal Year 1975-76 Appropriation (Exhibit D)	<u>17,400</u>	\$26,100
Disbursements:		
Business meals	\$2,497	
Reception costs	<u>119</u>	
Total disbursements	\$ 2,616	
Less: Reimbursements	<u>30</u>	
Net disbursements		<u>2,586</u>
Cash in Governor's Residence Support Checking Account, June 30, 1976		<u><u>\$23,514</u></u>

GOVERNOR'S OFFICE
STATEMENT OF CHANGES IN
GOVERNOR'S OFFICE CONTINGENCY CHECKING ACCOUNT
YEAR ENDED JUNE 30, 1976

(With unaudited amounts for year ended June 30, 1975)

Cash in Governor's Office Contingency Checking Account, June 30, 1975	\$ 4,472	
Add:		
Fiscal Year 1975-76 Appropriation (Exhibit D)	<u>15,000</u>	
		\$19,472
Disbursements:		
Business meals	\$ 447	
Reception costs	1,577	
Business travel	254	
Prayer breakfast, advance	1,500	
Office decorations	70	
Summer Intern Program, advance	<u>23</u>	
Total disbursements	\$ 3,871	
Less reimbursements:		
Prayer breakfast, advance	\$1,500	
Summer Intern Program, advance	<u>23</u>	
Total reimbursements	<u>1,523</u>	
Net disbursements		<u>2,348</u>
Cash in Governor's Office Contingency Checking Account, June 30, 1976		<u><u>\$17,124</u></u>

Office of the Auditor General

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps